

Message Text

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PAGE 01 PEKING 01830 01 OF 02 220344Z
ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 AGRE-00 AID-05 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NSAE-00 USIA-06
TRSE-00 XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01
NSC-05 SS-15 STR-04 CEA-01 CU-04 L-03 H-01
DODE-00 PA-01 PRS-01 INT-05 OES-07 /112 W
-----127227 220401Z/15

R 220100Z AUG 77
FM USLO PEKING
TO SECSTATE WASHDC 8513
INFO AMCONSUL HONG KONG
AMEMBASSY MOSCOW
AMEMBASSY SINGAPORE
AMEMBASSY TAIPEI
AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 1 OF 2 PEKING 1830

E.O. 11652: N/A
TAGS: EEW, CH, JA

SUBJ: PRC/JAPAN TRADE: JANUARY - JUNE 1977

1. SUMMARY. TOTAL PRC-JAPAN TRADE FOR THE FIRST SIX MONTHS OF 1977 WAS DOWN 10.5 PERCENT OVER THE COMPARABLE PERIOD IN 1976 TO US\$1.5 BILLION. THE DECLINE WAS DUE ENTIRELY TO THE SHARP DROP IN CHINESE IMPORTS, DOWN 26.2 PERCENT TO '792 MILLION. THE GREAT MAJORITY OF IMPORT CATEGORIES SHOWED DECREASES, WITH PARTICULARLY STEEP DECLINES FOR MACHINERY AND EQUIPMENT AND IRON AND STEEL PRODUCTS. CHINESE EXPORTS, ON THE OTHER HAND, INCREASED BY 17.6 PERCENT TO '708 MILLION WITH MOST MAJOR CATEGORIES REGISTERING INCREASES. TOTAL TRADE FOR 1977 IS ESTIMATED AT \$3.3 BILLION, UP ONLY

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PAGE 02 PEKING 01830 01 OF 02 220344Z

MODESTLY FROM LAST YEAR. END SUMMARY.

2. TOTAL PRC-JAPAN TRADE DURING THE FIRST SIX MONTHS OF 1977 REACHED US\$1.5 BILLION, DOWN 10.5 PERCENT OVER THE COMPARABLE PERIOD LAST YEAR, ACCORDING TO CUSTOMS CLEARANCE STATISTICS OF THE JAPANESE MINISTRY OF FINANCE. DECLINES

IN CHINA'S IMPORTS ACCOUNTED ENTIRELY FOR THE OVERALL DECREASE, WITH A 26.2 PERCENT DROP TO \$792 MILLION. CHINA'S EXPORTS REGISTERED STEADY GAINS AND INCREASED 17.6 PERCENT TO \$708 MILLION.

3. CHINA'S IMPORTS. A WIDE RANGE OF IMPORT CATEGORIES SHOWED DECREASES FROM LAST YEAR. ACCOUNTING FOR ALMOST 60 PERCENT OF CHINA'S IMPORTS FROM JAPAN DURING THE FIRST SIX MONTHS, IRON AND STEEL PRODUCTS WERE VALUED AT \$467 MILLION FOR 1.88 MILLION TONS. THIS REPRESENTED A 23 PERCENT DECREASE IN VALUE AND DECREASE OF 656 THOUSAND TONS. CHEMICAL FERTILIZER DELIVERIES INCREASED FROM 828,000 TONS TO 1.02 MILLION TONS, BUT BECAUSE OF LOWER JAPANESE PRICES, THE TOTAL VALUE DECREASED 14.3 PERCENT TO \$63 MILLION. WHILE THE AMOUNT OF AMMONIUM CHLORIDE AND UREA DECLINED SLIGHTLY, IMPORTS OF AMMONIUM SULFATE MORE THAN DOUBLED.4. IMPORTS OF MACHINERY AND EQUIPMENT SHOWED THE STEEPEST DECLINES, DOWN 66.5 PERCENT OVERALL FROM LAST YEAR FOR A TOTAL OF \$72 MILLION. EXCEPT FOR TEXTILE MACHINERY AND PASSENGER CARS, THERE WERE ACROSS THE BOARD DECREASES OF MACHINERY AND EQUIPMENT IMPORTS. THE VALUE OF NON-ELECTRIC MACHINERY DECLINED 73.4 PERCENT AND THAT OF ELECTRIC MACHINERY BY 85 PERCENT.
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PAGE 03 PEKING 01830 01 OF 02 220344Z

ONLY 18 MACHINE TOOLS WERE DELIVERED (VERSUS 122 IN THE FIRST HALF OF LAST YEAR) AND ONLY 1,360 TRUCKS (VERSUS 5,564).

5. FIBERS AND FIBER ARTICLES DECREASED 20.3 PERCENT BY QUANTITY AND 8.6 PERCENT BY VALUE TO \$82 MILLION. MANMADE FIBERS IN PARTICULAR SHOWED DECREASES OF UP TO 35 PERCENT, DUE AT LEAST IN PART TO STRONG US SALES OF POLYESTER STAPLE IN THE LAST HALF OF 1976.

6. CHINA'S EXPORTS. ACCOUNTING FOR 40 PERCENT OF TOTAL EXPORTS, CRUDE OIL SHIPMENTS INCREASED 20.8 PERCENT TO 3.36 MILLION KILOLITER FOR A VALUE OF \$283 MILLION. COAL EXPORTS ALSO INCREASED 10.5 PERCENT TO 233,952 TONS.

WOODCOCK

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PAGE 01 PEKING 01830 02 OF 02 220357Z

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LIMITED OFFICIAL USE SECTION 2 OF 2 PEKING 1830

7. VEGETABLE AND ANIMAL PRODUCTS EXPORTED

DECLINED BY BOTH QUANTITY AND VALUE, REFLECTING
A WIDE VARIETY OF FOODSTUFF SHORTAGES
SINCE THE FALL 1976 CANTON FAIR.

TOTAL SALES WERE \$153 MILLION, DOWN FOUR
PERCENT OVER THE FIRST HALF OF LAST YEAR.
MOST CATEGORIES OF FOODSTUFFS REGISTERED
DECLINES, INCLUDING SUCH TRADITIONAL LARGE
SCALE EXPORTS AS SHRIMP AND SOYBEANS.
SIZABLE INCREASES IN THE EXPORT OF FISH AND
EDIBLE NUTS KEPT THE FIGURES FROM DECLINING
MORE SHARPLY.

8. FIBERS AND FIBER PRODUCTS MADE UP ONE
QUARTER OF CHINA'S EXPORTS. WHILE THE VOLUME
OF EXPORTS WAS DOWN 13.1 PERCENT, TOTAL VALUE
INCREASED 29.7 PERCENT,
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PAGE 02 PEKING 01830 02 OF 02 220357Z

REFLECTING SIZABLE PRC PRICE INCREASES IN THE
LAST YEAR. RAW SILK EXPORTS JUMPED BY 445.6
PERCENT TO A VALUE OF \$55 MILLION, BUT OTHER
SILK MATERIALS EXPORTS DECLINED. GARMENTS AND

CARPETS WERE THE OTHER MAJOR PRODUCTS WHOWING INCREASES IN BOTH VALUE AND QUANTITY.

9. COMMENT. THE DROP IN PRC IMPORTS FROM JAPAN IN THE FIRST HALF OF THE YEAR IS A CONTINUED REFLECTION OF LAST YEAR'S SHARP CUTBACKS OF IMPORTS ACROSS THE BOARD. HOWEVER, TOTAL SINO-JAPANESE TRADE FOR 1977 SHOULD GROW TO ABOUT \$3.3 BILLION, UP MODESTLY FOR \$3.05 BILLION IN 1976, ACCORDING TO ESTIMATES OF THE JAPANESE EMBASSY. NEVERTHELESS, TRADE WILL STILL BE SHORT OF THE \$3.8 BILLION RECORDED IN 1975.

10. FOR THE SECOND HALF OF THE YEAR, CHIN'S IMPORTS ARE LIKELY TO INCREASE FASTER THAN EXPORTS, THUS OF THE YEAR, CHINA'S IMPORTS ARE LIKELY TO INCREASE FASTER THAN EXPORTS, THUS INCREASING SOMEWHAT CHINA'S RELATIVELY SMALL DEFICIT FOR THE FIRST HALF. REVENUES FROM PETROLEUM EXPORTS WILL DECLINE, SINCE/ MORE THAN HALF OF THE AGREED UPON QUANTITY OF OIL HAS ALREADY BEEN SHIPPED. CONTINUED SHORTEAGES OF CHINESE FOODSTUFFS WILL MAKE IT DIFFICULT TO INCREASE EXPORTS SIGNIFICANTLY OVER THE VALUE FO THE FIRST HALF, WHILE JAPANESE RESISTENCE TO INCREASED SILF AND TEXTILE EXPORTS WILL HOLD DOWN GROWTH IN THAT AREA.

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PAGE 03 PEKING 01830 02 OF 02 220357Z

11. ON THE IMPORT SIDE, STEEL DELIVERIES SHOULD INCREASE CONSIDERABLE. WHILE FIRST HALF DELIVERIES TOTATED 1.88 MILLION METRIC TONS, 2.15 MMT IS ALREADY SCHEDULED FOR DELIVERY JULY THROUGH OCTOBER, AND AN ADDITIONAL QUANTITY UNDOUBTEDLY WILL BE PRUCHASED DURING THIS FALL'S NEGOTIATIONS FOR NOVEMBER AND DECEMBER DELIVERY. FERTILIZER PURCHASES WILL ALSO BOOST CHINA'S IMPORT BILL FOR THE SECOND HALF. 962,000 TONS OF CHEMICAL FERTILIZER HAVE BEEN CONTRACTED FOR JULY - DECEMBER DELIVERY AND ADDITIONAL PURCHASES ARE CONSIDERED PROBABLE.
WOODCOCK

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